

Interview with Vice Admiral Keith Lippert

Director Defense Logistics Agency



Vice Adm. Keith Lippert

The Defense Logistics Agency (DLA) is a U.S. Department of Defense (DoD) agency. The DLA Director reports to the Under Secretary of Defense for Acquisition, Technology and Logistics through the Deputy Under Secretary of Defense (Logistics and Materiel Readiness). DLA provides worldwide logistics support for the missions of the military departments and the unified combatant commands under conditions of peace and war. It also provides logistics support to other DoD components and certain federal agencies, foreign governments, international organizations, and others as authorized.

A major initiative underway is Business Systems Modernization (BSM), a project that will replace DLA's mission critical legacy systems with a new enterprise architecture based on COTS software and best commercial practices.

For the second time in three years, DLA's Information Operations Directorate received a CIO 100 Award, presented annually by International Data Group's CIO magazine. DLA is being recognized for its eWorkplace program, a single portal for knowledge management, work processes and collaboration across the entire agency. CHIPS asked DLA Director Vice Adm. Lippert to talk about DLA's transformational technology initiatives, mission and vast customer base March 27, 2006.

CHIPS: What is the Business Systems Modernization initiative?

Vice Adm. Lippert: First, I would like to spend a moment making sure that you understand what DLA is. It is important that you put into perspective the size of the organization and mission. DLA is responsible for providing logistics support and services throughout the Department of Defense. It is a joint command, which means we have military assigned from all the military services, and we, in fact, do support all the military services.

Our total workforce is more than 20,000, of which about 500 are active duty military. Thus the largest part of our overall staffing is our civilian workforce, many of whom have a great deal of overall DoD logistics experience and a number of whom work directly with our customers.

"If we were on the Fortune 500, we would be No. 50 in sales — above the Intel Corp."

- Vice Adm. Keith Lippert

We run this agency like a business. We get very little direct appropriated funding to run DLA. We are primarily funded via the Defense Working Capital Fund, so we add a cost recovery rate, as a necessary form of 'overhead' added to the cost of the supplies that we provide, and use it to pay my salary, the other 20,000 plus civilian and military salaries, utilities, other costs to source, acquire and distribute material, and so on.

In fiscal year 2001, we were a \$17 billion corporation as reflected in our sales to our customers. This year we project to be a \$35 billion corporation. Business has doubled in five years. We're meeting the demand, providing services and support with fewer people than we had five years ago, and at a significantly reduced cost recovery rate.

We provide 95 percent of the services' repair parts, and 100 percent of the services' subsistence, fuels, medical, clothing, textiles, and

construction and barrier materials. We also run a large worldwide warehouse distribution system. We run a property disposal and re-utilization system.

We provide the Defense Logistics Information Service that catalogs all the parts used in DoD and by NATO. We run a hub at the Defense Automatic Addressing System Center that routes the vast majority of DoD's logistics transactions. We run a Defense document automation and production operation. That's just to give you an idea of some of the things that we do.

We get 54,000 requests for material a day on average. We award 8,200 contracts a day. If we were on the Fortune 500, we would be No. 50 in sales — above the Intel Corp. We have 26 worldwide distribution depots, anywhere from Korea to Kuwait. We are located in 48 states and in 28 countries.

So, when we implement something like our Business Systems Modernization, it is a major endeavor when put in our large and worldwide support context. The system that we are replacing, which we refer to as our legacy system, was designed in the 1960s. It was implemented in the 1970s, and it probably should have been replaced in the late 1980s. It is written in COBOL, and it is a dinosaur. When it was implemented, it was state-of-the-art. It still does a remarkably good job of providing worldwide support, but it does not have the functionality that we need right now.

This agency tried five different times to start projects to replace this legacy system. This is our sixth attempt — and we are going to be successful this time. The backbone of BSM's enterprise resource planning (ERP) is systems software and related embedded business processes from SAP. We use Manugistics for our demand-planning module. Overall, BSM is about a \$750 million project.

The project was started in 1999 in terms of defining the concept. We went to a live concept demonstration of much of BSM's functionality in summer 2002 with limited items and numbers of users

at first. We took 155,000 of our 5.2 million items and put them under this solution.

Prior to that concept demo, we trained people not only in the system itself but also in change management. Every employee performing inventory management related functions within DLA had used the legacy system for his or her entire professional life at DLA. During the concept demo, we took that familiar system away, and employees had to do everything differently.

We trained, and we measured progress, and after an extensive training period and selection of the first people that would use the system, we went live. The challenges were not only the change management issue, but also the fact that we were in the midst of a war and supporting warfighters around the world. We did not have a margin of error to slip. So there was added pressure to make sure that the system was effective right from the start.

While it was effective overall, we had a lot of problems to resolve in the BSM concept demo phase. Despite all our careful planning, we were much too optimistic in assuming we could bring this complex system to maturity in a three to six-month concept demo period.

It ultimately took two years to get the system stabilized and to add some additional planned functionality to it. During that two-year period it was not always clear that the light was at the end of the tunnel. Once we got past that, we started rolling out the rest of our 5.2 million items. We have about \$8 billion of our sales in this ERP solution as of April 2006. By December 2006, we will have the majority of the 5.2 million items up and operational involving \$18 billion in sales.

One of the benefits that we expect to achieve from this system is a reduction in customer wait time because the system operates on a real-time basis as opposed to the batch mode process of the legacy system. We expect to see reduced operating costs because the system is much more efficient than the legacy system associated with it. We expect to see savings in inventory because we will require less inventory. This is because of the data integrity that the system requires, and the demand forecasting and customer and supplier collaboration techniques it has.

The new system requires reorganization of related processes and functions at our Defense supply center buying activities, which we call Inventory Control Points, and changing job roles and descriptions to incorporate the best business practices of the private sector while also incorporating those best practices that remain truly unique to military logistics support.

DLA has never been able to pass a chief financial officer's compliance audit (as is true for most of the DoD). So another of the benefits that we expect to achieve is that DLA, in FY08, will be able to pass that audit for the first time. The ERP solution is a major contributor to that.

The only other thing that I would say is that if, in fact, any organization, I do not care if it is public or private, wants to implement an ERP solution, there has to be a commitment from the leadership. It is not just a commitment; it is a passion to get this thing done. If the

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Center Richmond,
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discussing the
Business System
Modernization
program with
employee
Taneesha
Goodrich July
2005. BSM*



replaced a COBOL-driven legacy program designed in the 1960s with enterprise resource planning software.

passion to do this is not there, the system will fail. When you see the statistics of the various companies that have tried, it bears out the fact that there has to be a commitment on everyone's part.

Another thing that I would reinforce is, 'You have to train, you have to train, and you have to train' to make sure that the system can be implemented successfully. If we had chosen a strategy, which you could call a 'big bang,' which means that we had thrown everything into BSM at one time, we would have failed miserably. We would have probably put support to the warfighter at risk.

Certainly, a lesson learned for anyone is that an incremental approach is the best. As you move to an ERP solution, you learn and adjust. You take another bite out of the apple, and you keep on going until you are finally operational.

CHIPS: The Integrated Data Environment (IDE) will provide a DoD ebusiness information exchange service, which will enable common interactive business practices across the military services, agencies and their trading partners. How will the IDE work?

Vice Adm. Lippert: This is a goal that the DoD has had for years. The idea behind it is to ensure that regardless of where warfighters are, when they query the supply system, they know what the asset profile is or when the contract is due in. Warfighters want to know if we have what they need, and where the material is in the transportation system as it arrives in the theater.

One of the major lessons learned in Operation Desert Storm in the early '90s was that we had a huge buildup of material there, literally mountains of material, because the warfighter was ordering materials repeatedly to make sure he (or she) had them on hand. It gets back to trust in the supply system and its ability to produce what is required. If asset visibility tools had been in place in Desert Storm, we would have had a more cost-effective supply chain providing materials for our warfighter. That is why this initiative is so important.

We have implemented the newest version, which we literally call 'Asset Visibility' that is part of the IDE effort. Warfighters can query into AV and get the required data that they need, not only from DLA but also from the military services, and can utilize the data in readiness planning. This new version of AV creates some executive summary

level charts that help from a management perspective and also allow us to access our BSM effort.

I have been to Kuwait several times, and one of the frustrations of the warfighters is that they have to go from personal computer to personal computer to tap into various databases so they can get all the information. It would be nice if they could sit at one PC and get the information that they need. To help, DLA and USTRANSCOM (U.S. Transportation Command) are joining together to converge our IDE system with USTRANSCOM's GTN (Global Transportation Network) system, which provides the transportation tracking link into one source so the warfighter can find not only basic asset visibility but also the transportation status. This is a major step forward for us.

The next step, beyond converging IDE with GTN, is to expand IDE's scope within DLA to better integrate all of our DLA logistics data. Subsequently, we plan to help DoD pursue an Enterprise Integrated Data Environment, which would enable faster and more accurate sharing of logistics information from the military services' databases via a Web browser, including data in their ERP replacement systems and their current legacy systems, to help provide the full across-DoD asset and transit visibility that is so important for future logistics support to the warfighter.

CHIPS: DLA is a champion of knowledge management practices. Can you talk about some of the projects in this area?

Vice Adm. Lippert: I put this under the umbrella of communications. DLA has more than 20,000 people around the world. Communicating is a difficult process. You have read that you have to communicate everything seven times to get the message through. Anything that we use to help in communicating and overall knowledge sharing is very important to us. We implemented a common tool called 'eWorkplace.' The intention is for it to be used throughout the entire DLA enterprise.

We also have worked hard on metrics, which we use throughout the organization for anything that we do, to measure to see if, in fact, the tool is being utilized and then to link it into our strategic and business plans, our Balanced Scorecard, which are all part of our strategic effort. This is to make sure that everybody realizes our objectives; this is why eWorkplace is so important.

eWorkplace is an enterprise portal; it is a common base for delivery of all information within DLA. At the first of this year, we had over 52,000 logins to the system, which is a 30 percent increase in growth since August 2005. One of the things it does is greatly reduces the amount of bandwidth used to send multiple briefing copies to potential users by e-mail. Instead we provide a link to the file on eWorkplace. This also reduces the number of copies that need to be stored on individual PCs and helps ensure everyone is referring to the current version.

We do get feedback from people who feel it can be used in a better way, and we try to make adjustments accordingly. We have gone more and more to teleworking, and in a telework environment, things like eWorkplace become important tools to make sure that teleworking is a successful effort.

CHIPS: What is the eBusiness/eCommerce initiative?

Vice Adm. Lippert: This is something that is important for us as we look to the future. Although the terms 'eBusiness' and 'eCommerce' only came into common use in the mid-1990s, DLA has really been involved in this approach for the last 40 years. When DoD standardized logistics transactions throughout the Department, it became part of our Defense Automatic Addressing System. In recent years, we have greatly increased our leverage of the Internet to enable much more extensive use of commercial standards and to provide faster support overall.

The related effort that I am most interested in now is 'DOD EMALL.' We have been running EMALL for the Department of Defense. Basically, EMALL allows a DLA customer to log in to the EMALL Web site (www.emall.dla.mil) and access a series of catalogs to order material using a DoD credit card and to arrange transportation for the materials to be delivered.

The idea for EMALL was started in the late 1990s. Initially, it did not have much business. We built it and nobody came, as opposed to 'build it and they will come.' We spent a lot of time at DLA marketing EMALL and making sure customers knew what the capabilities are and what it could do for us.

In FY02, our sales were about \$6 million out of the \$17 or \$18 billion worth of business that DLA was doing. It grew to \$60 million in FY03, and we completed last year at \$500 million. The number of customers has increased from 13,000 to 26,000. We have about 1,200 catalogs from various sources on it now, and I continue to see this growing as we look into the future.

Many of our big customers are organizations like the naval shipyards that have found EMALL helps fill their requirements. We have even expanded use to the Department of Homeland Security.

CHIPS: DLA has such a large customer base, is it possible to standardize business processes and technology across DoD and federal agencies?

Vice Adm. Lippert: Impossible. There are too many unique applications and missions for that ever to be a goal. But there are clearly certain areas that we can work on in terms of better standardization. The transaction system that I mentioned is basically the same regardless of who the customer is. Where we have areas where it appears that standardization can be done, we certainly focus on that, such as our successful standardization of warehousing operations that support all of DoD, and in our logistics data projects such as the IDE/GTN convergence that I talked about earlier.

DLA inventory manages most of the 5.2 million items that I have mentioned. As we continue to manage all of these items, it leads to standardization. To explain, they are mostly consumables, many of them commonly used across DoD — items that are either consumed, such as food or fuel, or are disposed of when no longer useful, like certain clothing items or various spare parts and general use items.

This contrasts with items that are used for awhile and then repaired or refurbished for reuse, commonly called Depot Level Repairables.

DLRs are often warehoused by DLA but are inventory managed by each of the military services. The Base Closure and Realignment Commission gave us some opportunities to do additional standardization, including applying common procurement practices to buy DLRs in the amounts determined by the services' inventory managers.

So where we can, we try to take advantage of standardization, but there is never going to be one standard way to do all of this.

CHIPS: You sound so passionate about serving DLA customers. Do you consider the services DLA provides to be part of DoD's weapons systems?

Vice Adm. Lippert: They absolutely are from many aspects! First, when you manage 95 percent of the consumable items that DoD uses, it is obvious that we are engaged with the weapon systems around the world. In all my travels since I have been here, one experience has always stuck out in my mind to emphasize the importance of DLA's missions and our role in weapons systems support.

As we were expanding our role into Kuwait, the Army sent some of its divisions from Korea into theater and they brought their equipment with them. In Kuwait, the Army was bringing some of its tanks up to higher readiness levels, and as I was going around and looking at all the maintenance effort that was going on, one of the groups put out in front of a tank all of the DLA items that they were using for the readiness improvement to the tank. It really brought home the importance of the mission that we have in providing supply and piece part support to make sure these weapon systems are geared to do what they do.

The second piece of it is that we are getting more and more into information services in terms of asset visibility and the systems we can bring to make it easier on the maintenance people and warfighter to support readiness.

The third piece of this whole thing is that we have, in the last several years, positioned our people forward with the warfighters. We have DLA people with our major combatant commanders and also our major customers. They actually deploy with them as they go into theater. We have a significant presence in Southwest Asia right now, in Iraq, and certainly in Kuwait and Afghanistan. DLA is central to the entire mission of the Department.

CHIPS: U.S. forces in Iraq and Afghanistan have commented enthusiastically about the quality and variety of food in the dining facilities. Is DLA responsible for providing the fresh food items?

Vice Adm. Lippert: We are involved in awarding the contracts for the food in all these areas. We call these contracts 'Subsistence Prime Vendor Programs.' They started in the continental United States. It is an interesting concept; we do not put the food in our warehouses. We have a prime vendor that we requisition through, and the prime vendor will go to various contractors and suppliers in its network. This method provides our customers the opportunity to pick the brands and types of food that they want to use. The selection opportunities are great. It's done in a timely manner, and I do not have to put all this material in my warehouse.

We have expanded that concept overseas. In Southwest Asia, we

have a company that does the primary work, which we call PWC (Public Warehousing Co.) Kuwait. PWC Kuwait provides the food for that area. I have been there, have tasted the food, and they do a great job.

CHIPS: Are there any other DLA initiatives that you would like to tell our readers about?

Vice Adm. Lippert: There are a lot of things going on including focusing on the human capital side of our business. As we have done corporate climate surveys over time, in addition to the communications effort that I talked about throughout the agency, it became apparent that while DLA was doing a good job overall in performing its missions, there were concerns within the workforce that one of the things we needed to work on was further enhancing the professionalism of our management team.

Most of the promotions that we did in the DoD civilian workforce were based upon technical expertise. We had not spent much time training those who had been promoted in terms of leadership and management. We have a major effort going on within the DLA to ensure that our workforce is also up to world-class standards in terms of leadership and management skills.

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IDE/GTN Convergence

Enhanced materiel visibility is among the benefits customers can expect from a new program management partnership recently announced by U.S. Transportation Command and the Defense Logistics Agency. The partnership will integrate defense supply chain, logistics, transportation and distribution-related data and information technology services. A new program office has been established to unify logistics/distribution/transportation visibility efforts between DLA's Integrated Data Environment (IDE) initiative and USTRANSCOM's Global Transportation Network (GTN) program, with the goal of eliminating redundancy, streamlining access to data and optimizing resources.

The convergence of the two programs will provide common integrated data services to assist development of applications that will give combatant commands, the military services, DoD, and other federal agencies a cohesive solution to manage supply chain, distribution and logistics information. Convergence will provide a single point of systems data integration within and between DLA and USTRANSCOM and other systems; ensure consistent access to common, authoritative logistics data; and provide business rules and reliable information for DLA and USTRANSCOM and their customers.

To smooth the integration process, both programs have been placed under a single program executive officer, David Falvey, at DLA. The program manager is Army Lt. Col. Pat Flanders at USTRANSCOM. Flanders is currently leading a 90-day technical analysis to evaluate and recommend the best approach to deliver these capabilities. After the analysis, the DLA/USTRANSCOM team will jointly develop the strategy for delivering the necessary data sharing and systems to provide this needed end-to-end capability.

More information about USTRANSCOM is available at www.transcom.mil/.

DLA is the one source for nearly every consumable item, whether for combat readiness, emergency preparedness or day-to-day operations. More information about DLA is available at www.dla.mil/.

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